

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2023

The figures have not been audited

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2023

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/03/2023 RM'000	Preceding Year Corresponding Quarter 31/03/2022 RM'000	Current Year- To-Date 31/03/2023 RM'000	Preceding Year Corresponding Period 31/03/2022 RM'000
<b>Revenue</b>	652,061	591,115	1,804,681	1,729,746
Cost of sales	(623,138)	(553,979)	(1,827,517)	(1,551,332)
<b>Gross profit/(loss)</b>	28,923	37,136	(22,836)	178,414
Operating expenses	(28,417)	(28,706)	(86,665)	(82,921)
Other operating income	11,242	3,401	12,431	8,375
<b>Profit/(Loss) from operations</b>	11,748	11,831	(97,070)	103,868
Interest income	519	184	1,994	576
Finance costs	(8,458)	(6,456)	(23,344)	(20,346)
Share of (loss)/profit in an associated company, net of tax	(112)	329	(1,843)	1,783
<b>Profit/(Loss) before taxation</b>	3,697	5,888	(120,263)	85,881
Taxation	739	66	4,403	(5,184)
<b>Profit/(Loss) from continuing operations</b>	4,436	5,954	(115,860)	80,697
Loss from a discontinued operation, net of tax (N1)	(2,734)	(2,757)	(8,216)	(10,919)
<b>Profit/(Loss) for the period</b>	1,702	3,197	(124,076)	69,778
<b>Profit/(Loss) attributable to:</b>				
Owners of the Company	1,661	3,141	(123,505)	69,484
Non-controlling interests	41	56	(571)	294
<b>Profit/(Loss) for the period</b>	1,702	3,197	(124,076)	69,778
<b>Earnings/(Loss) per ordinary share (sen):-</b>				
(a) Basic	0.28	0.53	(20.71)	11.65
(b) Fully diluted	0.28	0.53	(20.71)	11.65

(N1) Southern HRC Sdn Bhd ("SHRC"), a wholly-owned subsidiary of the Company had ceased its hot rolled coil operation in the financial year ended 30 June 2020. Accordingly, the financial result of the operation is separately disclosed as a discontinued operation.

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2022.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2023**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2023 (cont'd)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/03/2023 RM'000	Preceding Year Corresponding Quarter 31/03/2022 RM'000	Current Year- To-Date 31/03/2023 RM'000	Preceding Year Corresponding Period 31/03/2022 RM'000
<b>Profit/(Loss) for the period</b>	1,702	3,197	(124,076)	69,778
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Gain/(Loss) on fair value of equity instrument at fair value through other comprehensive income	125	(42)	60	54
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for a foreign operation	3	3	1	5
Cash flow hedge	217	385	(1,087)	(182)
<b>Total comprehensive income/(expense) for the period</b>	<b>2,047</b>	<b>3,543</b>	<b>(125,102)</b>	<b>69,655</b>
<b>Total comprehensive income/(expense) attributable to:</b>				
Owners of the Company	1,985	3,473	(124,527)	69,364
Non-controlling interests	62	70	(575)	291
<b>Total comprehensive income/(expense) for the period</b>	<b>2,047</b>	<b>3,543</b>	<b>(125,102)</b>	<b>69,655</b>

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2022.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2023**
**The figures have not been audited**
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023**

	As At End of Current Quarter 31/03/2023 RM'000	As At End of Preceding Financial Year 30/06/2022 RM'000
<b>ASSETS</b>		
Property, plant and equipment ("PPE")	382,168	394,078
Rights-of-use assets ("ROU")	313,307	322,694
Goodwill on consolidation	30,256	30,256
Investments in an associated company	12,960	14,803
Other investments	571	511
Deferred tax assets	52,141	42,233
Tax credit receivable	5,526	7,647
Other receivables	121,128	121,128
<b>Total non-current assets</b>	<b>918,057</b>	<b>933,350</b>
Inventories	442,871	568,055
Trade and other receivables, including derivatives	173,254	168,636
Current tax assets	2,323	4,040
Cash and cash equivalents	117,956	67,333
Asset to be returned to vendor	193,132	193,132
Assets held for sale	-	54,031
<b>Total current assets</b>	<b>929,536</b>	<b>1,055,227</b>
<b>TOTAL ASSETS</b>	<b>1,847,593</b>	<b>1,988,577</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		
Share capital	641,010	641,010
Reserves	(134,716)	(10,873)
	506,294	630,137
<b>NON-CONTROLLING INTERESTS</b>		
	6,192	6,767
<b>TOTAL EQUITY</b>	<b>512,486</b>	<b>636,904</b>
<b>LIABILITIES</b>		
Lease liabilities	9,372	10,969
Deferred tax liabilities	15,470	15,666
Deferred income	2,205	3,336
Employee benefits	27,560	27,084
Loans and borrowings	42,725	244,400
<b>Total non-current liabilities</b>	<b>97,332</b>	<b>301,455</b>

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2023**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023 (cont'd)**

	As At End of Current Quarter 31/03/2023 RM'000	As At End of Preceding Financial Year 30/06/2022 RM'000
Lease liabilities	2,116	2,038
Employee benefits	1,378	963
Provisions	2,226	3,735
Trade and other payables, including derivatives	218,049	241,600
Contract liability	193,132	193,132
Loans and borrowings	820,665	606,685
Current tax liabilities	209	2,065
<b>Total current liabilities</b>	1,237,775	1,050,218
<b>TOTAL LIABILITIES</b>	1,335,107	1,351,673
<b>TOTAL EQUITY AND LIABILITIES</b>	1,847,593	1,988,577
<b>Net assets per share attributable to owners of the Company (RM)</b>	0.85	1.06

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2022.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2023**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2023**

	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Non-distributable					Executive share scheme reserve	Accumulated losses			
	Share capital	Revaluation reserve	Merger reserve	Exchange fluctuation reserve	Hedging reserve					
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Current year-to-date ended 31 March 2023</b>										
At 1 July 2022	641,010	288,112	30,000	1,859	795	-	(331,639)	630,137	6,767	636,904
Loss for the period	-	-	-	-	-	-	(123,505)	(123,505)	(571)	(124,076)
Other comprehensive income/(expense):										
- Gain on fair value of equity instruments	-	-	-	-	-	-	60	60	-	60
- Foreign currency translation differences	-	-	-	1	-	-	-	1	-	1
- Cash flow hedge	-	-	-	-	(1,083)	-	-	(1,083)	(4)	(1,087)
<b>Total comprehensive income/(expense) for the period</b>	-	-	-	1	(1,083)	-	(123,445)	(124,527)	(575)	(125,102)
Transfer	-	(21,651)	-	-	-	-	21,651	-	-	-
Share-based payments	-	-	-	-	-	684	-	684	-	684
<b>Total transactions with owners</b>	-	(21,651)	-	-	-	684	21,651	684	-	684
<b>At 31 March 2023</b>	<b>641,010</b>	<b>266,461</b>	<b>30,000</b>	<b>1,860</b>	<b>(288)</b>	<b>684</b>	<b>(433,433)</b>	<b>506,294</b>	<b>6,192</b>	<b>512,486</b>

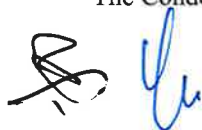
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2023**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2023 (cont'd)**

	Attributable to owners of the Company							Non-controlling interests	Total equity
			Non-distributable						
	Share capital	Revaluation reserve	Merger reserve	Exchange fluctuation reserve	Hedging reserve	Accumulated losses	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Preceding year corresponding period ended 31 March 2022</b>									
<b>At 1 July 2021</b>	641,010	295,156	30,000	1,828	972	(243,685)	725,281	6,763	732,044
Profit for the period	-	-	-	-	-	69,484	69,484	294	69,778
Other comprehensive income/(expense):									
- Gain on fair value of equity instruments	-	-	-	-	-	54	54	-	54
- Foreign currency translation differences	-	-	-	5	-	-	5	-	5
- Cash flow hedge	-	-	-	-	(179)	-	(179)	(3)	(182)
<b>Total comprehensive income/(expense) for the period</b>	-	-	-	5	(179)	69,538	69,364	291	69,655
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	(387)	(387)
Transfer	-	(7,044)	-	-	-	7,044	-	-	-
<b>Total transactions with owners</b>	-	(7,044)	-	-	-	7,044	-	(387)	(387)
<b>At 31 March 2022</b>	641,010	288,112	30,000	1,833	793	(167,103)	794,645	6,667	801,312

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2022.



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2023**
**The figures have not been audited**
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2023**

	Current Year- To-Date 31/03/2023 RM'000	Preceding Year Corresponding Period 31/03/2022 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit before taxation		
Continuing operations	(120,263)	85,881
Discontinued operation	(8,216)	(10,919)
	<u>(128,479)</u>	<u>74,962</u>
Adjustments for:-		
Depreciation of PPE	21,992	23,591
Depreciation and amortisation of ROU	9,387	10,761
Net financing costs	25,223	23,866
Share of loss/(profit) in an associated company, net of tax	1,843	(1,783)
Non-cash items	(9,749)	(3,192)
Operating (loss)/profit before changes in working capital	<u>(79,783)</u>	<u>128,205</u>
Changes in working capital		
Net change in current assets	120,445	(34,812)
Net change in current liabilities	(25,699)	(51,010)
Taxation (paid)/refunded, net	(3,719)	882
Finance costs paid	(27,217)	(24,442)
Retirement benefits paid	(1,141)	(950)
Interest income received	1,994	576
Dividend income received	-	275
<b>Net cash (used in)/generated from operating activities</b>	<u>(15,120)</u>	<u>18,724</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of plant and equipment	(10,182)	(2,850)
Proceeds from disposal of plant and equipment	138	357
Proceeds from disposal of asset held for sale	65,000	33,088
<b>Net cash generated from investing activities</b>	<u>54,956</u>	<u>30,595</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid to non-controlling interests	-	(387)
Drawdown/(Repayment) of borrowings	12,305	(68,937)
Payment of lease liabilities	(1,519)	(2,754)
<b>Net cash generated from/(used in) financing activities</b>	<u>10,786</u>	<u>(72,078)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	50,622	(22,759)
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	67,333	133,011
<b>EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD</b>	1	5
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>	<u>117,956</u>	<u>110,257</u>

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2023**

**The figures have not been audited**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2023 (cont'd)**

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following statements of financial position amounts:

	<b>31/03/2023</b>	<b>31/03/2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits, cash and bank balances	<u>117,956</u>	<u>110,257</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2022.



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2023**

**The figures have not been audited**

**1. Basis of preparation**

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134 “Interim Financial Reporting” and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group’s audited financial statements for the financial year ended 30 June 2022. This interim financial report also complies with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board.

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2022 except for the adoption of MFRSs, amendments and interpretations that are effective for annual period beginning on or after 1 January 2022 which are applicable to the Group. The initial adoption of these applicable MFRSs, amendments and interpretations do not have any material impact on the financial statements of the Group.

**2. Qualification of audit report of the preceding annual financial statements**

The audit report for the preceding annual financial statements was not qualified.

**3. Seasonality or cyclicity of interim operations**

The business operations of the Group during the quarter under review were affected by both cyclical factors in the construction industry as well as festive seasons.

**4. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence**

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence during the quarter under review and financial year-to-date.

**5. Changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years**

There were no changes in estimates of amounts reported in the prior financial years.

**6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities**

There were no issuance of shares, share buy-back, shares cancellation, resale of treasury shares or repayments of debt or equity securities during the quarter under review and financial year-to-date.

**7. Dividend paid**

There was no dividend paid during the quarter under review and financial year-to-date.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2023**

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**8. Operating Segments**

The Group's segmental report for the financial year-to-date is as follows:

	Steel products RM'000	Investment holding and others RM'000	Discontinued Hot rolled coil operation RM'000	Total RM'000
<b>Segment loss</b>	(96,674)	(396)	(4,343)	(101,413)

Included in the measure of segment loss are:

Revenue from external customers	1,804,681	-	-	1,804,681
Depreciation of PPE	18,031	-	3,961	21,992
Depreciation and amortisation of ROU	9,012	375	-	9,387

**Reconciliation of reportable segment loss**

	RM'000
<b>Loss</b>	
Reportable segment	(101,413)
Loss from a discontinued operation	4,343
Interest income	1,994
Finance costs	(23,344)
Share of loss in an associated company, net of tax	(1,843)
Consolidated loss before taxation (excluding a discontinued operation)	<u>(120,263)</u>

**9. Material events not reflected in the financial statements**

There are no material subsequent events to be disclosed as at the date of this report.

**10. Changes in the composition of the Group**

There were no changes in the composition of the Group during the quarter under review, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

Subsequent to the quarter under review, the liquidator of Starglow Investments Ltd ("Starglow"), an indirect wholly-owned subsidiary of the Company, has convened a Final Meeting to conclude the member's voluntary liquidation of Starglow and accordingly, Starglow will be dissolved with effect from 12 July 2023.

**11. Review of performance**

For the quarter under review, excluding a discontinued operation, the Group revenue was RM652 million and profit before taxation ("PBT") was RM4 million as compared with revenue and PBT of RM591 million and RM6 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2022 ("FY2022").

The higher revenue for the quarter was attributable to higher sales volume, however, the lower selling prices had led to a lower profit for the quarter.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2023**
**The figures have not been audited**
**11. Review of performance (cont'd)**

For the financial year-to-date, excluding a discontinued operation, the Group revenue was RM1,805 million and loss before taxation ("LBT") was RM120 million as compared with revenue and PBT of RM1,730 million and RM86 million respectively for the corresponding period of FY2022.

The higher revenue was due to higher sales volume, however, the depressed selling prices and high input costs had led to the loss for the financial year-to-date.

**12. Material changes in loss before taxation against the immediate preceding quarter**

For the quarter under review, excluding a discontinued operation, the Group revenue increased to RM652 million from RM579 million of the preceding quarter.

The Group PBT, excluding a discontinued operation, was RM4 million for the quarter under review as compared with LBT of RM59 million for the preceding quarter. The improvement was mainly attributable to higher sales volume and selling prices.

**13. Prospects**

The demand for steel and selling prices are expected to remain uncertain in the months ahead. The projected recovery in China after the reopening from the zero-Covid policy at the end of last year did not appear to be as strong as previously anticipated. Malaysia's domestic demand will remain muted in the absence of large infrastructure projects. The Group will continue to be responsive to the market conditions and optimise operational efficiencies.

**14. Profit forecast/profit guarantee**

This note is not applicable.

**15. Profit/(Loss) before taxation**

	<b>Current Year Quarter 31/03/2023 RM'000</b>	<b>Current Year- To-Date 31/03/2023 RM'000</b>
Profit/(Loss) before taxation is arrived at after charging/(crediting):		
<b>Continuing operations</b>		
Depreciation of PPE	5,909	18,031
Depreciation and amortisation of ROU	3,131	9,387
Reversal of impairment loss on trade receivables	(155)	(195)
(Write back)/Write down of inventories	(9,771)	2,104
Gain on foreign exchange	-	(733)
Fair value gain on derivative instruments	(538)	(872)
Gain on disposal of plant and equipment	(77)	(138)
Gain on disposal of asset held for sale	-	(10,870)
Write-off of plant and equipment	-	1
<b>Discontinued operation</b>		
Depreciation of PPE	1,282	3,961

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2023**
**The figures have not been audited**
**16. Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/03/2023 RM'000	Preceding Year Corresponding Quarter 31/03/2022 RM'000	Current Year- To-Date 31/03/2023 RM'000	Preceding Year Corresponding Period 31/03/2022 RM'000
Current taxation				
- Current year	92	(314)	3,580	3,842
- Prior year	2,121	(88)	2,121	(88)
	2,213	(402)	5,701	3,754
Deferred taxation				
- Current year	(831)	336	(7,983)	1,430
- Prior year	(2,121)	-	(2,121)	-
	(2,952)	336	(10,104)	1,430
	(739)	(66)	(4,403)	5,184

The current quarter taxation was mainly from the reversal of deferred tax liabilities provision from surplus of land revaluation. The year-to-date taxation was mainly from a credit of RM3.2 million arising from the real property gains tax and the reversal of deferred tax liabilities being recognised, due to the disposal of a leasehold land.

**17. Corporate proposals**

There are no corporate proposals announced but not completed as at the date of this report.

**18. Group's borrowings and debt securities**

Particulars of the Group's borrowings and debt securities as at 31 March 2023 are as follows:

	RM'000
Borrowings:	
Unsecured long-term borrowings	42,725
Unsecured short-term borrowings	820,665
	863,390

There were no borrowings denominated in foreign currencies as at 31 March 2023.

**19. Material Litigation**

Southern HRC Sdn Bhd ("SHRC"), a wholly-owned subsidiary of Southern Steel Berhad, on 7 July 2016 and 11 July 2016 terminated the contract between SHRC and Danieli & C. Officine Meccaniche S.p.A. ("Danieli") dated 16 June 2011 for the design, manufacture and supply of a "Thin Slab Casting Unit feeding directly a twin Steckel Mill" ("Plant") for the production of hot rolled coils ("Contract") and the Service Agreement No. 1 between SHRC, Danieli and Danieli Malaysia Sdn Bhd ("DMSB") dated 10 May 2014 ("Service Agreement") respectively.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2023**

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**19. Material Litigation (cont'd)**

i. Commencement of Arbitration Proceedings by SHRC

Following the termination of the Contract and Service Agreement, SHRC commenced arbitration proceedings against Danieli and DMSB. SHRC claimed several reliefs against Danieli and DMSB, including repayment of contract sum and damages for misrepresentation and breach of contract.

ii. Commencement of Arbitration Proceedings against SHRC by Danieli and DMSB

Danieli and DMSB also commenced arbitration proceedings against SHRC. Danieli and DMSB sought several declarations in relation to the Contract and the Service Agreement and claiming damages, interest and costs.

The aforementioned arbitration proceedings were consolidated ("First Arbitration") and heard by the same arbitral tribunal in Singapore.

iii. Commencement of Arbitration Proceedings against SHRC by Danieli Co. Ltd (a wholly owned subsidiary of Danieli) ("Danieli Thailand")

Danieli Thailand commenced arbitration proceedings against SHRC ("Second Arbitration").

Danieli Thailand claimed the sum of EUR2,800,000.00, being the balance purchase price of spare parts under a sale contract dated 24 December 2013 between SHRC and Danieli Thailand ("Sale Contract") plus interest and general damages.

The same arbitral tribunal for the First Arbitration also heard the Second Arbitration.

On 28 November 2019, the Tribunal decided and determined as follows:

A. The First Arbitration

The Tribunal decided in SHRC's favour and awarded, inter alia, the following:-

- i) the Contract is rescinded;
- ii) the Service Agreement is rescinded;
- iii) Danieli and DMSB shall repay SHRC the Contract Price in the amount of EUR92,700,000 minus EUR15 million and RM270 million after taking into consideration the use of the Plant and its plausible diminution in value;
- iv) Danieli and DMSB shall pay SHRC RM176,245,250 as damages for misrepresentation; and
- v) in return, SHRC shall transfer the title to the Plant, together with additional equipment installed thereon, to Danieli.

(hereinafter called "First Award")

B. The Second Arbitration

The Tribunal decided in Danieli Thailand's favour and awarded, inter alia, the sum of EUR2,795,796.98 ("Second Award") being the balance purchase price of spare parts under the Sale Contract.



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Arising from this award, upon receipt of the requisite payments from Danieli, the Plant currently stated at carrying amount of RM193 million will be removed from SHRC's Balance Sheet.

Danieli's and DMSB's application to the Singapore High Court to set aside the First Award was unsuccessful and dismissed by the Singapore High Court on 12 August 2020 ("High Court's Decision").

Danieli and DMSB appealed to the Singapore Court of Appeal against the High Court's Decision ("Danieli's Appeal").

On 12 June 2020, SHRC obtained a recognition order of the First Award from the Italian Court of Appeal against Danieli. Danieli applied to the Italian Court of Appeal to challenge the recognition order ("Challenge Proceeding") and to stay the proceedings pending the outcome of Danieli's Appeal before the Singapore Court of Appeal ("Stay Application"). On 9 February 2021, the Italian Court of Appeal granted the Stay Application pending decision by the Singapore Court of Appeal but ordered Danieli to provide a security of EUR6.5 million by way of a bank guarantee.

The Singapore Court of Appeal delivered its judgment on 18 July 2022 and decided, inter alia, as follows:-

- i) The Court of Appeal dismissed Danieli's Appeal in relation to the Transfer Order (the order where SHRC is to transfer the title of the Plant, together with additional equipment installed thereon, to Danieli);
- ii) The Court of Appeal dismissed Danieli's Appeal in relation to the Repayment Order (the order where Danieli and DMSB are to pay SHRC the contract price in the amount of EUR92,700,000 minus EUR15 million and RM270 million after taking into consideration the use of the Plant and its plausible diminution in value); and
- iii) The Court of Appeal allowed Danieli's Appeal in relation to the Damages Order and set the Damages Order aside (the order where Danieli and DMSB are to pay SHRC RM176,245,250 as damages for misrepresentation).

Following the Singapore Court of Appeal's decision, SHRC and Danieli filed their applications at the Italian Court of Appeal on 29 September 2022 and 14 October 2022 respectively to reactivate the Challenge Proceeding previously filed by Danieli in Italy. After a brief hearing at the Italian Court of Appeal on 31 January 2023, the matter is fixed for final hearing on 2 May 2023.

To date, Danieli and DMSB have not satisfied any part of the First Award.

On 3 January 2022, Danieli Thailand commenced proceedings against SHRC in the Malaysian Courts to recognise and enforce the Second Award in favour of Danieli Thailand against SHRC ("Danieli Thailand's Action"). SHRC is opposing and challenging Danieli Thailand's Action.

On 30 January 2023 and 15 March 2023, SHRC obtained a recognition order of the First Award in France and Luxembourg, respectively.

After obtaining the recognition order in France, the court bailiff was instructed to enforce it, leading to the seizure and attachment of receivable debts owed by certain clients of Danieli in France.

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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2023

The figures have not been audited

### 19. Material Litigation (cont'd)

In Luxembourg, the court bailiff enforced the recognition order by seizing (saisie arret conservatoire) the shares of two of Danieli's wholly owned subsidiaries, which are now frozen.

Danieli presently has filed an appeal against the enforcement order obtained in Luxembourg and France, but no hearing dates have been fixed yet for the appeals. SHRC will continue to pursue enforcement of the First Award.

### 20. Dividend

The Board does not recommend any interim dividend for the quarter ended 31 March 2023.

### 21. Earnings/(Loss) per ordinary share

#### (a) Basic earnings/(loss) per ordinary share

The basic earnings/(loss) per ordinary share for the quarter under review is calculated by dividing the Group's profit attributable to owners of the Company of RM1,661,000 (3<sup>rd</sup> quarter FY2022: RM3,141,000) by the weighted average number of ordinary shares during the quarter of 596,313,450 (3<sup>rd</sup> quarter FY2022: 596,313,450).

The basic earnings/(loss) per ordinary share for the financial year-to-date is calculated by dividing the Group's loss attributable to owners of the Company of RM123,505,000 (FY2022 profit attributable to owners of the Company: RM69,484,000) by the weighted average number of ordinary shares during the period of 596,313,450 (FY2022: 596,313,450).

	<i>Weighted average number of ordinary shares</i>			
	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current Year Quarter</b>	<b>Preceding Year Corresponding Quarter</b>	<b>Current Year To-Date</b>	<b>Preceding Year Corresponding Period</b>
	<b>31/03/2023</b>	<b>31/03/2022</b>	<b>31/03/2023</b>	<b>31/03/2022</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
Issued ordinary shares at beginning of period/Weighted average number of ordinary shares (basic)	596,313	596,313	596,313	596,313
Basic earnings/(loss) per ordinary share (sen)	0.28	0.53	(20.71)	11.65

#### (b) Diluted earnings/(loss) per ordinary share

The Group's diluted earnings/(loss) per ordinary share in the quarter under review and financial year-to-date is the same as the basic earnings/(loss) per ordinary share since the Group does not have any anti-dilutive instrument.

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2023

The figures have not been audited

### 22. Derivatives

The Group has entered into a number of forward foreign exchange contracts to hedge the cash flow risk in relation to the variations of cash flows arising from future forecasted transactions.

The forward foreign exchange contracts are stated at fair value using observable market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate.

As at 31 March 2023, the contract amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	Contract amount RM'000	Fair Value Assets/ (Liabilities) RM'000
Less than 1 year	27,232	(317)

Derivatives (which are classified as financial assets/liabilities) categorised as fair value through profit or loss are subsequently measured at their fair values with the gains/losses recognised in profit or loss. Net gain/loss arising from fair value changes of derivatives is as disclosed in Note 15.

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the previous FY2022.

### 23. Gains/losses arising from fair value changes of financial liabilities

Other than derivatives which are classified as financial liabilities when they are at fair value loss position, the Group does not remeasure its financial liabilities at fair value after the initial recognition.

By Order of the Board  
Southern Steel Berhad

Wong Wei Fong  
Valerie Mak Mew Chan  
Company Secretaries

Kuala Lumpur  
17 May 2023